

Message Text

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ACTION EUR-25

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NSAE-00 RSC-01 CIEP-02 STR-08 TRSE-00 LAB-06 SIL-01

OMB-01 SS-15 NSC-10 L-03 IO-13 AGR-20 OIC-04 RSR-01

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C O N F I D E N T I A L EC BRUSSELS 4638

PASS AGRICULTURE

E.O. 11652: GDS

TAGS: EAGR, EEC, US

SUBJECT: EC EXPORT CONTROLS ON WHEAT AND US/EC PROTEIN MEETING

REF: A) STATE 157779 (NOTAL) B) STATE 152365 C) OECD PARIS 21390

D) EC BRUSSELS 4530

1. SUMMARY. IN DISCUSSIONS AUGUST 10 WITH EC COMMISSIONER LARDINOIS AND FRANKLIN OF HIS STAFF, WE (A) REVIEWED THE LATEST DATA ON THE US CROP SITUATION AND REQUESTED EC DATA; (B) AGREED (SUBJECT TO FINAL EC COMMISSION CONFIRMATION) ON US-EC BILATERAL PROTEIN CONSULTATION IN WASHINGTON POSSIBLY SEPTEMBER 19; (C) RECEIVED LARDINOIS' TENTATIVE SUGGESTION FOR A QUIET FIVE-POWER MINISTERIAL CONFERENCE IN BRUSSELS PRIOR TO NOVEMBER FAO MEETING. (THE COMMISSION SEEMS UNENTHUSIASTIC BUT NOT NECESSARILY OPPOSED TO AN OECD MEETING.); AND (D) AGREED THAT, WHILE MONTHLY COMMISSION/USEC EXCHANGES OF INFORMATION CAN BE ACTIVATED IF NEEDED, WE MUST BE IN TOUCH ON A CONTINUOUS BASIS IN PRESENT SITUATION. END SUMMARY.

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2. ON AUGUST 10, CHARGE AND MISSION OFFICERS MET FIRST WITH MICHAEL FRANKLIN, A DEPUTY DIRECTOR GENERAL IN THE AGRICULTURAL DIRECTORATE, AND IMMEDIATELY THEREAFTER, ON HIS REQUEST, WITH COMMISSIONER LARDINOIS, TO DISCUSS FOUR POINTS: (A) THE CURRENT MARKET SITUATION FOR GRAINS; (B) THE PROPOSED BILATERAL US-EC MEETING ON PROTEINS; (C) CURRENT COMMISSION THINKING ABOUT A POSSIBLE MULTILATERAL CONFERENCE ON OILSEEDS AND GRAINS; (D) THE CONTINUOUS US-EC EXCHANGE OF INFORMATION TO BE HANDLED BY USEC.

3. CURRENT MARKET SITUATION FOR GRAINS. PURSUANT TO REFTTEL A, WE EXPRESSED TO FRANKLIN AND LARDINOIS OUR CONCERN OVER THE COMMISSION DECISION TO SUSPEND FURTHER LICENSING OF WHEAT EXPORTS. WE EMPHASIZED THAT THIS ACTION TOGETHER WITH SIMILAR ACTIONS BY OTHER SUPPLYING COUNTRIES HAS INTENSIFIED SPECULATIVE ACTIVITY IN THE US AND LEAVES THE US TO BEAR THE BRUNT OF SUPPLYING WORLD NEEDS FOR WHEAT.

4. FRANKLIN AND LARDINOIS BOTH MENTIONED THAT THE CURRENT SITUATION IN THE COMMUNITY IS EXTREMELY DIFFICULT. FRANKLIN SAID THAT THE IMMEDIATE EFFECT OF THE COMMISSION DECISION TO SUSPEND EXPORT CERTIFICATES WAS AN INCREASE IN INTERNAL PRICES IN THE COMMUNITY (PRESUMABLY IN PART BECAUSE OF PURCHASING EFFORTS BY TRADERS TO FULFILL CONTRACTS MADE PRIOR TO THE COMMISSION DECISION). HE INDICATED THAT SPECULATION HAS SHIFTED TO SOME EXTENT TO OTHER GRAINS, IN PARTICULAR CORN. FRANKLIN SAID THAT BOTH FRANCE AND ITALY HAVE URGED THE COMMISSION TO TAKE SOME KIND OF ACTION TO CONTROL CORN EXPORTS BUT HE GAVE NO INDICATION THAT ANY SUCH ACTION WAS IMMINENT. HE DID SAY THAT THE CIF PRICE FOR CORN IN ROTTERDAM IS NOW ABOUT 8 U.A. PER TON ABOVE THE THRESHOLD PRICE AND IS INCREASING DAILY.

5. US-EC PROTEIN MEETING. AS SUGGESTED IN REF A, WE TOLD FRANKLIN AND LARDINOIS THAT THE US IS AGREEABLE TO A MEETING IN SEPTEMBER ON THE PROTEIN SITUATION. WE SUGGESTED THAT THE MEETING MIGHT BE MORE PRODUCTIVE IF HELD IN WASHINGTON AND THAT IT BE HELD DURING THE WEEK BEGINNING SEPTEMBER 17. FRANKLIN RESPONDED THAT THE COMMISSION WAS THINKING THE MEETING MIGHT BE HELD ON WEDNESDAY, SEPTEMBER 19. HE INDICATED THAT THERE WOULD BE SOME DIFFICULTY FOR COMMISSION EXPERTS TO GO TO WASHINGTON FOR A MEETING ON OR AROUND THAT DATE BECAUSE OF A SERIES OF CONFIDENTIAL

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MEETINGS SCHEDULED WITH THE MEMBER STATES AND PROFESSIONAL ORGANIZATIONS. LARDINOIS, HOWEVER, AFTER CONSIDERING OUR SUGGESTIONS, CONCLUDED THAT COMMISSION EXPERTS SHOULD GO TO WASHINGTON FOR A MEETING WITH WASHINGTON EXPERTS. HE SAID THIS MEETING WOULD BE EXTREMELY IMPORTANT TO THE COMMUNITY. HE RECOMMENDED THAT THIS MEETING SHOULD NOT BE CONCERNED ONLY WITH PROTEIN-RICH CROPS BUT SHOULD ALSO COVER OTHER GRAINS AS THEY RELATE TO FEED SUPPLIES. WE EXPRESSED UNDERSTANDING OF THIS

ASSESSMENT AND SAID THAT WE WOULD FORWARD HIS VIEWS TO WASHINGTON.
(COMMENT: WHILE LARDINOIS WAS CLEAR ABOUT HIS WILLINGNESS TO
HAVE THIS MEETING IN WASHINGTON, WE SHALL STILL HAVE TO GET
FINAL CONFIRMATION FROM THE COMMISSION AND REPORT FURTHER).

6. A MULTILATERAL CONFERENCE ON OILSEEDS AND GRAINS. WE
QUERIED FRANKLIN AND LARDINOIS AS TO THEIR VIEWS REGARDING
A PROPOSED RESTRICTED INFORMAL, POLICY LEVEL MEETING WITHIN OECD
ON THE PROTEIN AND GRAIN SITUATION. WE MADE CLEAR THAT, IN
SEEKING COMMISSION VIEWS, WASHINGTON HAD AS YET TAKEN NO
POSITION. FRANKLIN SAID THAT THE COMMISSION COULD NOT, IN
PRINCIPLE, REJECT A PROPOSAL TO HOLD THE MEETING IN OECD.
HOWEVER, HE INDICATED A LACK OF ENTHUSIASM FOR SUCH A MEETING,
PARTLY ON PRACTICAL GROUNDS SINCE THE COMMISSION OFFICIALS
CONCERNED ALREADY HAVE VERY HEAVY SCHEDULES THROUGHOUT
SEPTEMBER. HE SAID THE COMMISSION WOULD PREFER THAT AN OECD
MEETING, IF HELD, TAKE PLACE ONLY AFTER THE US-EC BILATERAL
MEETING.

7. LARDINOIS "THINKING OUT LOUD" SUGGESTED THAT SECRETARY BUTZ
MIGHT VISIT BRUSSELS IMMEDIATELY PRIOR TO AN FAO MEETING IN ROME,
WHICH WE ARE TOLD WILL OCCUPY MUCH OF THE MONTH OF NOVEMBER.
LARDINOIS FURTHER SUGGESTED THAT MINS AGRICULTURE FROM
JAPAN, AUSTRALIA AND CANADA COULD ALSO COME TO BRUSSELS AT THAT
TIME FOR A "QUIET CONFERENCE" ON THE OILSEED AND GRAIN
SITUATION PERHAPS PRECEDED BY AN EXPERTS MEETING. LARDINOIS DID
NOT REJECT A MEETING IN THE OECD. BUT WE INFER FROM HIS REMARKS
THAT HE WOULD PREFER A FIVE-COUNTRY CONFERENCE IN BRUSSELS IN
LIEU OF AN OECD-SPONSORED MEETING. ON THE OTHER HAND, WE HAVE THE
IMPRESSION THAT THE COMMISSION IS TAKING CARE TO AVOID APPEARING
NEGATIVE VIS-A-VIS VAN LENNEP.

8. REGULAR EXCHANGE OF INFORMATION BETWEEN USEC AND THE COMMISSION.
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IT WAS TENTATIVELY AGREED THAT, IN VIEW OF THE CONTINUOUS FLOW
OF INFORMATION BETWEEN USEC AND THE COMMISSION ON THE MARKET
DEVELOPMENTS FOR GRAINS AND OILSEEDS, THE QUESTION OF FORMAL
MONTHLY MEETINGS NEED NOT BE PURSUED FOR THE MOMENT. WE ALSO
AGREED, HOWEVER, THAT SUCH MEETINGS COULD ALWAYS BE SCHEDULED IF
NECESSARY. FRANKLIN AND LARDINOIS EMPHASIZED THE IMPORTANCE OF
CONTINUING THE MUTUAL NOTIFICATION OF ACTIONS AFFECTING THE
OILSEED AND GRAIN SECTORS.
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